

Auditing Procedures Report

*=Required Fields

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* CENTRAL HURON AMBULANCE SERVICE	County* HURON	Type* OTHER	MuniCode* 32-7-514
Opinion Date-Use Calendar* Oct 20, 2008	Audit Submitted-Use Calendar* Nov 3, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 948,820.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 801,544.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 1,025,880.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Donald	Last Name* Kuzak	Ten Digit License Number* 1101007059		
CPA Street Address* 1242 SAND BEACH ROAD	City* BAD AXE	State* MI	Zip Code* 48413	Telephone* +1 (989) 269-9541
CPA Firm Name* HYZER, HILL, KUZAK & CO.	Unit's Street Address* 291 W. SOPER ROAD	Unit's City* Bad Axe	Unit's Zip* 48413	

Central Huron Ambulance Service Association
HURON COUNTY, MICHIGAN

FINANCIAL REPORT
YEAR ENDED MARCH 31, 2008

Central Huron Ambulance Service Association

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Central Huron Ambulance Service Association
Bad Axe, Michigan

We have audited the accompanying financial statements of the business-type activities of the Central Huron Ambulance Service Association, as of and for the year ended March 31, 2008, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Huron Ambulance Service Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not include a Management's Discussion and Analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Central Huron Ambulances Service Association, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Hyzer, Hill, Kuzak & Co. P.C.

October 20, 2008

Central Huron Ambulance Service Association**Business-Type Activities
Statement of Net Assets
March 31, 2008****Assets**

Current assets:

Cash and non-cash equivalents	\$ 378,618
Accounts receivable	132,049
Prepaid insurance	31,475
Prepaid rent	<u>14,550</u>

Total current assets 556,692

Noncurrent assets:

Capital assets, net	<u>523,863</u>
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Total assets 1,080,555

Liabilities

Current liabilities:

Accounts payable	19,444
Accrued payroll taxes	3,129
Accrued wages	25,727
Deferred income	<u>6,375</u>

Total current liabilities 54,675

Net Assets

Investment in capital assets, net	523,863
Unrestricted	<u>502,017</u>

Total net assets \$ 1,025,880

The notes to financial statements are an integral part of this statement.

Central Huron Ambulance Service Association**Business-Type Activities**
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended March 31, 2008**Operating Revenue**

Charges for service	\$ 900,998
Contributions from members	<u>38,263</u>
Total operating revenue	939,261

Operating Expenses

Advertising	2,088
Auto mileage	2,817
Bad debts	1,420
Collection fees	325
Depreciation	93,994
Dues and subscriptions	300
Educational	9,633
Fuel	42,349
Insurance	31,804
Insurance - worker's compensation	13,132
Meals allowance	6,154
Medical supplies	35,162
Miscellaneous	222
Office supplies	5,434
Professional fees	90,859
Rent	7,844
Repairs	28,203
Taxes - payroll	32,023
Telephone	5,614
Utilities	11,277
Wages	<u>380,890</u>
Total operating expenses	<u>801,544</u>

Operating income 137,717

Nonoperating Revenue

Interest income	8,160
Donations and memorials	765
Miscellaneous income	<u>634</u>

Total nonoperating revenue 9,559

Change in net assets 147,276

Net assets, beginning of year (as restated) 878,604

Net assets, end of year \$ 1,025,880

The notes to financial statements are an integral part of this statement.

Central Huron Ambulance Service Association**Business-Type Activities
Statement of Cash Flows
March 31, 2008****Cash flows from operating activities:**

Cash received from customers	\$ 919,581
Cash payments for goods and services	(349,507)
Cash payments to employees	<u>(355,163)</u>

Net cash provided by operating activities 214,911

Cash flows from capital and related financing activities:

Other	1,399
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Cash flows from noncapital financing activities:

Purchase of capital assets	(132,756)
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Cash flows from investing activities:

Purchases of non-cash equivalents	(55,283)
Investment income	<u>8,160</u>

Net cash used in investing activities activities (47,123)

Net increase in cash and cash equivalents 36,431

Cash and cash equivalents, beginning of year 181,780

Cash and cash equivalents, end of year \$ 218,211

**Reconciliation of net income to net cash
provided by operating activities:**

Operating income for the year	\$ 137,717
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	93,994
Change in assets and liabilities:	
Accounts receivable	(6,257)
Prepaid insurance	(31,475)
Prepaid rent	4,200
Accounts payable	4,655
Accrued payroll taxes	(227)
Accrued wages	25,727
Deferred income	<u>(13,423)</u>

Net cash provided by operating activities \$ 214,911

The notes to financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed pursuant to the terms of an interlocal agreement dated March 16, 1983. Its purpose is to provide ambulance service to the residents and property owners of constituent units, which includes the City of Bad Axe, Colfax Township, Dwight Township, Hume Township, Village of Kinde, Lincoln Township, Meade Township, Pointe Aux Barques Township, Port Austin Township, Village of Port Austin, Sheridan Township, Sigel Township, and Verona Township.

The Association operates under an appointed Board consisting of one representative from each constituent unit. All representatives are appointed by their respective governing bodies by resolution and serve following appointment until a successor is appointed. A Board member is eligible for reappointment at the expiration of his or her term of office, and must be a resident of the constituent unit which he or she represents.

The accounting policies of Central Huron Ambulance Service Association conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The Association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on provisions of GASB 14, there are no organizations that are deemed to be component units of the Association.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. Total net assets is segregated into capital assets, net of related debt, restricted, and unrestricted components. Operating statements present increases (revenues) and decreases (expenses) in total net assets.

The financial activities of the Association are recorded in a proprietary fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accrual basis of accounting is utilized by the Association. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Equity***Deposits and Investments***

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased and all local government investment pools to be cash equivalents.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts and utilization of historical loss amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivable. At March 31, 2008, the allowance was \$62,289.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Association defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	31.5 - 40 years
Land improvements	15 years
Equipment	5 - 7 years
Furniture and fixtures	5 years
Office equipment	5 years
Vehicles	5 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Central Huron Ambulance Service Association

Notes to Financial Statements March 31, 2008 (Continued)

2. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Board has designated four banks for the deposit of the Association's funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Association's deposits and investment policy are in accordance with statutory authority.

Deposits and Investments

At March 31, 2008, the Association's deposits and investment balances were as follows:

	Business-Type Fund
Deposits	\$ 218,211
Non-cash equivalents - certificates of deposit	160,407
	<u>\$ 378,618</u>

Custodial Credit Risk – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits may not be returned. State law does not require and the Association does not have a policy for deposit custodial credit risk. As of year end, \$306,921 of the Association's bank balance of \$385,164 was insured.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investment. The Association's current investments have no potential interest rate risk.

Central Huron Ambulance Service Association**Notes to Financial Statements
March 31, 2008
(Continued)****3. CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2008 was as follows:

	Balance March 31, 2007	Additions	Subtractions	Balance March 31, 2008
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total nondepreciable capital assets	18,000	-	-	18,000
Depreciable capital assets:				
Buildings	337,723	-	-	337,723
Land improvements	4,517	-	-	4,517
Equipment	21,319	-	-	21,319
Furniture and fixtures	18,562	-	-	18,562
Office equipment	11,814	-	-	11,814
Vehicles	327,510	132,756	-	460,266
Total depreciable capital assets	721,445	132,756	-	854,201
Less accumulated depreciation	254,344	93,994	-	348,338
Depreciable capital assets, net	467,101	38,762	-	505,863
Capital assets, net	\$ 485,101	\$ 38,762	\$ -	\$ 523,863

4. CONTRIBUTIONS

In the event it becomes necessary to finance all or any part of the operating expenses of the Association by contribution, any contribution made to the Association by the constituent units shall be on the basis of population, which means that each constituent unit shall contribute a percentage equal to the percentage proportion that the population of the constituent unit bears to the total population of all constituent units, population being based on the latest Federal decennial census. Any action by the Association which would require such contribution to be binding upon each constituent unit must be authorized or later ratified by resolution of the governing body of that constituent unit. The failure of the governing body of any constituent unit to authorize or ratify its contribution to the Association shall operate as an immediate withdrawal of that constituent unit from the Association.

Contributions for the year ended March 31, 2008 amounted to \$38,263 and is included in operating revenue.

5. BUILDING LEASES

The Association leases a building in Port Austin from an unrelated party to house its North ambulance hall. The lease has a five year term which began June 1, 2006. The Association also leases from the same party a second parking bay in the building. This lease is renewable annually on June 1st. The full amount of the lease cost was paid upfront for both leases. Rent expense for the building was \$7,844 for the year ended March 31, 2008.

Central Huron Ambulance Service Association

Notes to Financial Statements March 31, 2008 (Continued)

6. RISK MANGEMENT

The Association purchases commercial insurance through private carriers for property, liability and workers' compensation. Management believes such coverage is sufficient to preclude any material loss to the Association.

7. RESTATEMENT

Net assets at March 31, 2007 has been restated to correct amounts previously reported as follows:

Net Assets, previously reported	\$ 929,644
Correction of accrued expenses	20,414
Correction of accounts payable	(10,186)
Correction of capital assets	(26,045)
Correction of prepaid rent	(2,160)
Correction of allowance for doubtful accounts	(33,063)
Net Assets - restated	<u>\$ 878,604</u>

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Bruce Hill
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Michael Doerr

October 20, 2008

Central Huron Ambulance Service Association

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Bad Axe, MI 48413

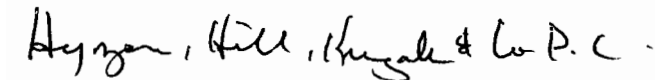
Dear Board Members:

In planning and performing our audit of the financial statements of the Central Huron Ambulance Service Association for the year ended March 31, 2008, we considered the Association's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This report does not affect our report dated October 20, 2008 on the financial statements of the Central Huron Ambulance Service Association .

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Association personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Hyzer, Hill, Kuzak & Co., P. C.

Inventory

We noted during the audit that there is currently no system for tracking inventory that is held at the CHAS building. All EMT's have access to the supply room and there is no accounting for or responsibility for items that are taken from the supply room. The supply room is monitored by Chris Stirrett and supplies are replenished as needed. We recommend that an inventory tracking system be put in place to manage the on-hand supplies. This will help identify when supplies should be reordered or if there is theft occurring.

Patient Information

Through discussions held with employees during the audit, it was brought to our attention that occasionally run sheets with sensitive patient information are being taken out of the building. This is in violation of the HIPAA law, and this practice should be stopped immediately.

Receipts

It was noted during our testing, that the Office Manager was completing hand written receipts for all checks received. This additional work is unnecessary. A hand written receipt must only be completed if a patient requests one or if someone comes into the CHAS building to pay their invoice.

Long Range Capital Replacement Program

The Association should develop a long range capital replacement plan for ambulances to better assess their capital asset needs in the future and related financing of those assets.